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DOS, ARMY reviews completed

GENERAL

1. US views on interim government in Indonesia--The Department of State has advised the US delegation on the UN Good Offices Committee of its view that: (a) the Republic is obligated to accept Netherlands sovereignty over Indonesia prior to the formation of the United States of Indonesia; and (b) the Netherlands Government should formulate plans for an interim government for Indonesia and announce conditions for the Republic's participation therein. The Department of State believes that the Republic should be encouraged to join the interim government in order to share in the benefits of US financial aid and to improve the Republic's position in negotiations with the Dutch. The Department declares that it would be impossible for the US to extend aid to any government of Indonesia in which the Republic is not included because the extending of such aid would amount to US discrimination against the Republic.
2. US not to suspend Czechoslovak freight shipments--The Department of State has informed US Ambassador Steinhardt that it would be inadvisable to suspend temporarily Czechoslovak freight shipments through the US zone of Germany.
3. US plans support of Italy--The Department of State has informed Bevin and Bidault of its view that the US, the UK, and France should take every opportunity during the current electoral period to demonstrate the close support being given to the Italian people by the western powers. The Department suggests that in addition to the steps already planned, the three powers should take action concerning: (a) closer consultation with Italy on European reconstruction measures; (b) consideration of Italian views on the German economy; (c) transfer to Italy of proceeds from German assets in Italy; and (d) the admission of Italy to the Tangier regime.

State, ARMY declassification & release instructions on file

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4. US support on Italian colonial issue believed important--
US Ambassador Smith in Moscow believes it important that
the US support the De Gasperi Government on the question
of Italian trusteeship of former Italian colonies. Smith
observes that if the Italians should gain increased colonial
responsibilities, they would be strengthened in a claim for
an increase in Italian defensive military strength through
a revision of the Italian peace treaty. Smith believes that
in addition to the favorable effect a declaration of US support
might have on the chances of De Gasperi's Government to
survive, an increase in Italian armed strength would be
"highly desirable."

(CIA Comment: A declaration in support of Italian
trusteeship would undoubtedly gain votes for De Gasperi in
the election, but contrary considerations are: (a) the reper-
cussions in the Arab world; and (b) the adverse effect on
the British position in North Africa.

5. US to require closer French cooperation within German zone--
The Department of State has authorized US Ambassador Douglas
to state in the London Conference on Germany that the US can
undertake no commitments concerning the French zone, under
the European recovery program, without corresponding French
commitments on closer association with the US and the UK in
the reorganization of western Germany.

UK-French agreement on German participation in CEEC--
US Ambassador Douglas reports that the British and French
delegations to the London Conference have agreed to propose at
the 15 March opening meeting of the Committee on European
Economic Cooperation (CEEC) that an invitation be issued
immediately to the US-UK Zone Germany and the French Zone
to participate on an equal basis in the CEEC meeting. The
British and French do not expect any opposition to this proposal.

(CIA Comment: The announcement of this action will
have favorable reactions in western Germany both as a sign
that European recovery aid to Germany is forthcoming and as
an indication of western realization of the importance of Ger-
man cooperation in the aid program.)

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EUROPE

6. **FRANCE:** Bidault wants military alliance against the USSR --- US Ambassador Caffery has been advised by Foreign Minister Bidault that, in view of recent events in Europe, he no longer desires a treaty aimed only at Germany but really wants a concrete military alliance against Soviet attack with "definite promises to do definite things" under certain circumstances. Bidault feels, however, that for purely domestic political reasons the treaty should mention Germany specifically.
7. **AUSTRIA:** Reactions to Czechoslovak coup---Headquarters US Forces in Austria reports that the recent Czechoslovak coup has probably dampened Austrian popular enthusiasm for a treaty because Austrians feel that the presence of western troops in Austria shields them from a similar development. Headquarters also observes that relations between the Conservative People's Party and the Socialists have deteriorated considerably and that a break in the present coalition between these parties might present the Socialists with a choice between right and left, a choice which Socialist parties in other countries have recently resolved in favor of the Communist left.

(CIA Comment: This is the first indication of a possible change in the attitude of both major parties regarding the advisability of an early Austrian treaty. The majority People's Party has been particularly anxious to obtain a treaty as a means of improving its internal political position in the country. CIA considers it unlikely that the Socialist Party, which has consistently resisted Soviet and Austrian Communist pressure, will drop its coalition with the People's Party and force new elections.)

FAR EAST

8. **KOREA:** Reaction to "Little Assembly" resolution---General Hodge believes that because of their reaction to the possibility

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of early elections under UN observation, the Korean moderate and leftist members of the South Korean Interim Legislative Assembly probably will resign and thus terminate the existence of the Assembly. Hodge reports, however, that rightist groups led by Rhee Syngman are jubilant concerning the forthcoming elections. Hodge adds that neither rightist leader Kim Koo nor moderate leader Kimn Hui-sik will participate in the forthcoming elections, but they will not actively oppose them.

(CIA Comment: The non-Rhee Rightists and the Moderates will be reluctant to associate themselves with the establishment of any "national government" whose future independence is not categorically guaranteed by the US against the imminent threat of North Korean aggression. Rhee's jubilation probably stems from his confidence that he can eventually maneuver the US into granting the necessary guarantees.)

9. PHILIPPINES: US conference on Philippine defense suggested - - US Ambassador O'Neal in Manila believes that a clear statement of US military plans for the Philippines would help preserve the Philippines as an asset to US policy in the Far East. The Ambassador feels that although the Philippine Government is truly disturbed by implications of the international situation, the thinking of the Government is conditioned by the present decline in US spending and by the fact that the presence of US troops increases domestic political stability. O'Neal suggests that either the Philippine Secretary of National Defense or the Chief of Staff be invited to visit Washington to discuss mutual defense and assistance matters.

THE AMERICAS

10. GUATEMALA: Armed intervention in British Honduras not foreseen - - The US Military Attache in Guatemala City reports that there is no evidence of troop movements against Belize and estimates that the controversy will be resolved without armed action.

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(CIA Comment: CIA estimates that political conditions within Guatemala make it less likely than ever, despite the persistence of anti-British disturbances, that Guatemala will participate in a retaliatory show of force against British garrisons in Belize.)

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